

CERTIFIED MAIL

09 AUG 1983

Dear Applicant:

We have considered your application for recognition of exemption from Federal Income Tax under Section 501(c)(4) of the Internal Revenue Code.

The information submitted discloses that you were formed on [REDACTED] for the purpose of filing a class action suit against [REDACTED] on behalf of [REDACTED]. The suit contends that [REDACTED] is engaged in discriminatory employment practices at the aforementioned company's facilities located in [REDACTED] in violation of Title VII of the Civil Rights Act of 1964, 42 U.S.C. Section 2000e, et. seq. and the Civil Rights Act of 1866, 42 U.S.C. Section 1981.

Your activities are to hire legal counsel to represent you in your class action suit and to maintain funds in a bank account to pay your legal fees. You have already collected \$[REDACTED] each from [REDACTED] of the men involved in the law suit in order to pay those fees already assessed.

When your application, Form 1028, was received in our office on [REDACTED], [REDACTED], you did not indicate under which section of the Internal Revenue Code you were filing. However, based upon your application and supporting documents it was determined that you were claiming exemption under section 501(c)(4), as a social welfare organization.

Section 501(c)(4) of the Internal Revenue Code grants exemption to civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare, or local associations of employees, the membership of which is limited to the employees of a designated person or persons in a particular municipality and the net earnings of which are devoted exclusively to charitable, educational, or recreational purposes.

Section 1.501(c)(4)-1 of the Income Tax Regulations states (a) Civic organizations-(1) In general. A civic league or organization may be exempt as an organization described in Section 501(c)(4) if--

(i) It is not organized or operated for profit; and

(ii) It is operated exclusively for the promotion of social welfare.

(2) Promotion of social welfare - (i) In general. An organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community. An organization embraced within this section is one which is operated primarily for the purpose of bringing about civic betterments and social improvements. A "social welfare" organization will qualify for exemption as a charitable organization if it falls within the definition of "charitable" set forth in paragraph (d) (2) of Section 1.501(c)(3)-1 and is not an "action" organization as set forth in paragraph (c)(3) of Section 1.501(c)(3)-1. (ii) Political or social activities. The promotion of social welfare does not include direct or indirect participation or intervention in political campaigns on behalf of or in opposition to any candidate for public office. Nor is an organization operated primarily for the promotion of social welfare if its primary activity is operating a social club for the benefit, pleasure, or recreation of its members, or is carrying on a business with the general public in a manner similar to organizations which are operated for profit. A social welfare organization may qualify under Section (c)(4) even though it is an "action" organization described in paragraph (c)(3) (ii) or (iv) of Section 1.501(c)3-1 if it otherwise qualifies under this Section.

Your organization does not qualify for exemption under section 501(c)(4) of the Code because your primary purposes and activities are in furtherance of providing personal services to members of your organization. Specifically, collecting funds from members and holding the same in an account in order to pay the personal legal costs on behalf of the members who have brought a class action suit against their employer. [REDACTED]

Accordingly, we hold that you are not an organization operated exclusively for the promotion of social welfare within the meaning of Section 501(c)(4) since you are not primarily engaged in promoting the common good and general welfare of the people of the community. Therefore, you do not qualify for exemption as an organization described in Section 501(c)(4) and are required to file Federal Income Tax Returns on Form 1120.

If you do not agree with these conclusions, you may within 30 days from the date of this letter, file a brief of the facts, law and arguments (in duplicate) which clearly sets forth your position. In the event you desire an oral discussion of the issues, you should so indicate in your submission. A conference will be arranged in the Regional Office after you have submitted your brief to the Chicago District Office and we have had an opportunity to consider the brief and it appears that the conclusions reached are still unfavorable to you. Any submission must be signed by one of your principal officers. If the matter is to be handled by a representative, the Conference and Practice Requirements regarding the filing of a power of attorney and evidence of enrollment to practice must be met. We have enclosed Publication 892, Exempt Organization Appeal Procedures for Adverse Determinations, which explains in detail your rights and procedures.

Please keep this determination letter in your permanent records.

If you agree with this determination please sign and return the enclosed Form 6018.

Sincerely yours,


District Director

Enclosures:
Publication 892
Form 6018